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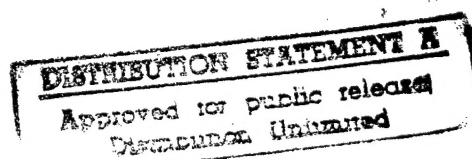
5 JUNE 1986

China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN

No 25, 20 SEPTEMBER 1985



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CHINA REPORT

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PRC STATE COUNCIL BULLETIN

No 25, 20 SEPTEMBER 1985

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese No 25, 20 Sep 85

[This volume contains selected translations from the PRC STATE COUNCIL BULLETIN. Items marked [previously translated] and [previously covered] have appeared in other JPRS or FBIS publications, and are cross-referenced wherever possible.]

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STATE COUNCIL CONGRATULATES XIZANG AUTONOMOUS REGION

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 20 Sep 85 pp 851-852

[Text] To the Party Committee and People's Government of the Xizang Autonomous Region:

On the occasion of the 20th anniversary of the Xizang Autonomous Region, the Party Central Committee and State Council send sincere congratulations and warm greetings to the people of the Zang, Han, and other nationalities of the autonomous region, to the cadres, the workers and patriots of all circles, to all officers and men of the PLA force stationed in Xizang and of the Xizang Armed Police Force, and to all those comrades assisting in Xizang's construction!

In the 34 years since Xizang's peaceful liberation in 1951, the CPC has led the people of the Zang, Han, and other nationalities in creating glorious achievements. Xizang has experienced earth-shaking changes in political, economic and social aspects. It has not only permanently ended a humiliating history of suffering imperialist aggression and bullying, but also, through democratic reforms, has abolished the feudal serf system and opened a new period in which the people are the masters. The autonomous region was established in 1965 and, although there have been twists and turns on the road, in the 20 years since then, construction throughout the whole region has realized great achievements which are universally acknowledged.

In the last few years, party and government organs at all levels in Xizang have united and guided the people of all nationalities in the region in vigorously implementing a series of special policies and flexible measures formulated by the central authorities for the construction of Xizang. In the vast farming and animal-raising areas, they have: implemented the policy of recuperation and put great efforts into developing animal raising and agricultural production; reformed those economic systems which do not conform with Xizang's reality; firmly emphasized the implementation of the party's united front and nationality policies as well as the policies on religion; positively developed socialist democracy, strengthened the system of autonomy in the nationality areas, and guaranteed that the people can fully exercise their democratic rights. Now, Xizang society is stable and united, the people's lives have been clearly improved, and some agriculturalists and animal raisers have begun to prosper. Socialist nationality relations of equality, unity, and mutual assistance are continually developing and the relationships between the party, government,

armed forces and the people of all nationalities are becoming closer. The people are in high spirits and everywhere life is prosperous. The current political and economic situations are the best since the peaceful liberation of Xizang. The Party Central Committee and the State Council wish to express whole-hearted gratitude and great tribute to the people of all nationalities, cadres at all levels, patriots of all circles, and officers and men of the armed forces who have contributed to the creation of this fine situation!

Xizang is vast in area, rich in resources, and is an inseparable part of our great country. The people of the Zang nationality are diligent, down-to-earth, intelligent and courageous. They are important members of our Chinese nation and have made important contributions to the development of our country's history and culture. The long-standing, firm unity between the Zang nationality and other fraternal nationalities cannot be shaken by any force. Establishing a new socialist Xizang which is united, prosperous and educated is the urgent wish of the people of all nationalities, and is an extremely arduous and noble task. The realization of this task has especially great significance in the whole nation's socialist modernization.

The Party Central Committee and the State Council pay much attention to Xizang's construction. To speed economic development so that the people of Xizang become prosperous as quickly as possible, central authorities and all areas of the country have in the past given strong support to Xizang in various fields, and we will continue to provide such support. It is hoped that various levels of the party, government, armed forces, and organizations in the autonomous region and the people of all nationalities will strengthen unity, strive for the prosperity of the country, adhere to party line, principles and policies, always pay attention to proceeding from Xizang's actual situation and, with economic construction as the center, be of one heart and one mind in doing all work well. It is necessary to develop the revolutionary spirit of arduous struggle and self-reliance, continue to liberate your thoughts, reform the economic structure, do well in opening to the outside world, strengthen management, promote economic exchange, develop commodity production and gradually realize a benign urban-rural economic cycle. While emphasizing economic work, by proceeding from Xizang's history and reality, it is also necessary to concentrate on the building of a civilized, socialist ideology which has nationality characteristics. It is necessary to do well in education and in training a large number of specialized personnel in all fields who are suited to the needs of Xizang's construction. It is also necessary to further implement the party's nationality policies and policies on religion, broadly unify patriots of all circles, develop and strengthen the patriotic united front and fully motivate and bring into play all positive factors so as to serve the construction of Xizang.

The Party Central Committee and the State Council believe that by taking a hold on their own fate and working hard by themselves, the people of all nationalities in Xizang will inevitably be able to create a glorious future. No obstacles will block the Xizang people as they advance. The mighty task of building a new, unified, prosperous, civilized socialist Xizang on the roof of the world indeed is bound to happen!

Central Committee of the CPC
State Council
1 September 1985

CIRCULAR ON MAINTAINING PRODUCT QUALITY (1 SEPTEMBER 1985)

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 20 Sep 85 pp 853-854

[Text] The State Council has approved the State Economic Commission's "Report on Stopping the Deterioration of Quality of Some Industrial Products," and is now circulating it to you. It is hoped that it will be linked with the current situation and diligently implemented.

In industrial production, including the production of export products, quality must be given first priority. This is an important issue with a bearing on the success or failure of the four modernizations and the life or death of enterprises. The constant improvement of product quality is a strategic task of socialist economic construction. Now all regions and relevant departments must vigorously emphasize this issue, and diligently take up the task of improving quality. Quality inspection organs must be strengthened, quality control methods improved, product quality standards improved and drawn up more clearly, and production organized strictly according to these standards. Product quality inspection must continue to be properly emphasized and problems discovered during this process must be solved within a prescribed time. Rural small town enterprises must also tackle the work of quality control, and all regions and relevant departments must strengthen quality control management over rural small town enterprises. Administrative departments concerned with industry and commerce must impose economic sanctions on enterprises selling poor quality products, and make an effort to find the leader responsible. Strict punishment must be meted out to those unlawful elements who produce and sell goods under false brand names, and so on.

As soon as this circular is received, the People's Government at all levels and the various relevant departments must immediately organize forces to make a complete survey of product quality. This survey must be done properly; it must not be simply a question of going through the motions. The realities in each area should be summed up; sturdy and effective measures should be adopted and work carried out diligently, so that as soon as possible we may halt the situation in which some industrial products are experiencing a drop in quality. Thus we may ensure the smooth achievement of China's socialist four modernizations.

/9716

CSO: 4005/488

REPORT ON MAINTAINING PRODUCT QUALITY (23 JULY 1985)

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 20 Sep 85

[Text] Recently, comrades of the Central Committee have issued important orders concerning the problem of the deterioration of quality of some industrial products, and have stressed that it is necessary to "emphasize quality," "put quality first," and make this a **key issue in current economic growth**.

Since the last quarter of last year, the quality of some industrial products has tended to deteriorate. During the first half of this year, the stable quality improvement rate in major industrial products dropped by 11.6 percent compared to the same period last year. Even more serious is the consistent occurrence of illegal activities concerning product quality, and "fake, counterfeit, poor and substandard" goods often appearing on the market. This deterioration of quality not seen for many years, is a result of the following: too large a scale of investment in fixed assets, too much inflation in consumption funds, social demand is greater than supply, and blind competition among some departments and regions, resulting in accelerated production. This phenomenon shows that at present many enterprises and their leadership departments have incorrect leadership thinking in the areas of production and management; they are single-mindedly pursuing output value and profits to the neglect of product quality and social and economic results. Some even put profits above all, and indulge in falsification, even if it causes losses to the state and the consumer. At the same time, some units, under the name of "delegation of power" and "relaxation," have mistakenly relaxed quality control work, and have begun to waver on the principle of "putting quality first."

To put a stop to this deterioration in quality, the following measures will be adopted:

1. Correct guiding thinking on economic work, and resolutely rectify the tendency for onesided pursuit of output value and profit to the neglect of quality and socioeconomic results.

All departments and regions should come to a full understanding that the quality issue is an important one with a bearing on the success of the four modernizations and the life or death of enterprises. Poor quality products harm consumers, cause losses to the people, affect exports, and damage the prestige of the state; all this violates the basic aims of socialist production. When deciding upon the pace of development, improving economic results must be

a prerequisite; and this improvement must be based on an improvement in quality. Improvement of quality is a strategic task in socialist economic construction. When introducing an economic responsibility system, it is first necessary to introduce a quality responsibility system. Based on a profound understanding of the spirit of directives issued by leading central comrades, we must set our sights on the problem of product control, find causes, draw up measures, thoroughly implement the principle of "putting quality first," and give priority to the task of improving quality.

2. Quality should be a concern at all levels, and the "five forbiddens" resolutely carried out.

All regions, departments and enterprises must really emphasize the quality link in production, transportation, sales and service, and must carry out the "five forbiddens": (1) substandard products should not be let out of the factory, nor be calculated as part of total output or output value; (2) substandard raw materials and components should not be used in production or assembly; (3) production and sale of products which have already been announced discontinued must not be carried out; (4) production of goods which are not subject to quality standards, inspections or surveys is forbidden; and (5) falsification of goods, selling substandard as fine quality goods, falsifying trade marks, or using famous brand names falsely is forbidden. In the case of enterprises which violate the above rules, blame must be found, and those responsible should be fired or punished according to the law. Leading departments at all levels must find out how to ensure the above rules are implemented; when problems arise they should be promptly solved, and those responsible dealt with strictly.

At the same time, producing enterprises must do good after-sales service work, establish a service network, and exchange goods which are found to be substandard after purchase. In the case of a product which is still not up to quality standards after the factory has taken it back for repair, the consumer has the right to demand a refund or replacement, and the factory must cover repair and transportation expenses.

3. Become closely involved with developing industrial product quality inspections.

All departments and regions must take the work of quality surveys as an important issue. All enterprises must consciously carry out inspections of their own products, instead of waiting passively for higher authorities to come and do a check. The inspections must be diligent and strict, detailed and comprehensive; it must not be a question of simply going through the motions, and real results should be produced.

Starting from this September, a system of product inspections supervised by the state will be introduced; the State Economic Commission will set up 100 inspection centers (stations), which will inspect about a hundred different key products each quarter (mass-produced, widely-sold important means of production and consumer products in tight market supply, especially medicines, foodstuffs, and important electrical equipment). Methods must be scientific;

inspections may be carried out at the producing unit or at the end user unit, so as to guard against falsification. The results will be issued in a quarterly quality report by the State Economic Commission, and given publicity in newspapers, magazines, on television, and so on. Praise and criticism will be given out.

There are quite a few drawbacks in the current system of selecting and awarding prizes for superior products, with fraud occurring now and then, and what's more, there is a need for improvement in the methods of selection. It is suggested these awards be temporarily halted.

4. Strengthen quality supervision organs, and form a unified nationwide quality supervision network.

To strengthen unified leadership over quality supervision work, according to the CPC Central Committee leading comrades' directive on "Strengthening Quality Inspection Organs, and gathering a number of experts to carry out this work," it is proposed that the state organ will organize a nationwide quality supervision network based on quality inspection and control at all departments and regions throughout the country.

The plan drawn up by the State Economic Commission for the establishment of 100 quality control centers based on existing quality control capacities is already in progress, with 37 such centers already in operation. This project should be speeded up, so that the centers can take on the work of national quality control. The import and export product quality control structure should be strengthened, and strict control practiced over export products.

Quality control organs within enterprises are both responsible for quality control over the whole process of the enterprise's production, and represent the state in exercising its quality control functions. Any such enterprise units which have been revoked should be restored, and in those enterprises where there are no such organs, they should be set up. Highly responsible, upright, technically competent and skilled cadres should be selected for the work of leading these quality control organs, and their appointment or dismissal should be approved by the higher authorities.

5. Production must be organized strictly according to quality standards.

Standardization represents the technological basis for quality control. The current 7,000 or so national standards, along with the 15,000 specialized standards, must be strictly adhered to. China's standardization work still has the problem of too few standards, too low standards, and lack of proper implementation of those standards. This is not in line with the demands of the four modernizations. We must strive to strengthen the drawing up and revision of standards. Enterprises must make an effort to establish their own standards for all products for which national or specialized standards do not yet exist, and implement them after authorization from higher levels.

6. Quicken the pace promoting a system of production permits.

In 1964, the State Council promulgated the "Regulations on industrial product production permits," which it introduced in pilot schemes in such sectors as

the boiler pressure container industry and the electric meter industry. Certain results have already been achieved, and the system should be introduced in other industries.

7. The legal system should be strengthened, such that there is a set of laws to be relied upon, and that there is strict enforcement.

Over the last few years, we have published the following laws relating to product quality: the "Food Hygiene Law," "Medicine Management Law," "Economic Contract Law," "Patent Law," "Provisional Regulations on Industrial Product Production Permits," "Regulations on Supervising Safety in Boiler-making," "Provisional Regulations on Product Quality Supervision," and "Regulations on the Inspection of Products for Import and Export." The various departments and sectors have also drawn up regulations on certain aspects of quality control. At present, in addition to better tackle the work of drawing up and improving the various quality regulations, it is necessary also to solve the problems of not having a set of reliable laws and not carrying out laws strictly. All leading departments should closely liaison with legal departments, form a system of reliable laws which are carried out properly, and punish offenders strictly. It is proposed that in the third and fourth quarters of this year a number of offenders who have been responsible for causing big losses to the state economy and who have seriously damaged the health of the people should be dealt with. In particular, those who have intentionally produced and sold to the public false medication and foodstuffs containing toxic substances which have harmed the lives and safety of others should be severely punished according to the law. Those who have aided and abetted, supported and protected these people should also be strictly punished.

8. Further implement nationwide quality control.

Over the last few years, a certain amount of work has been done in introducing nationwide quality control and good results have been achieved. This system must be further popularized in all sectors. Each sector should establish a whole system for guaranteeing quality, and carry out a strict quality responsibility system. At the same time, efforts must be made to strengthen all basic work in enterprises, to improve accounting and examination methods, to transform technological equipment, to improve modernized methods of management, and to improve the consciousness and attitude of employees on the issue of quality. All regions, relevant departments, and enterprises should sum up actual conditions, draw up plans for introducing nationwide quality control over the next 3 to 5 years, and carry out this program.

9. Strengthen quality control and supervision over rural small town enterprises.

All regions and relevant departments should, according to actual conditions, draw up measures for quality control over rural small town enterprise products; things must not be allowed to drift.

When improving product quality, work must be carried out diligently and with determination, and we must guard against formalism. All departments and

regions must immediately start to act, and carry out all the above measures to the letter; efforts must be made by the end of the last quarter of this year to restore the quality of those industrial products which have experienced a drop in quality to their former levels, and on this basis to make further improvements.

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CSO: 4005/488

CIRCULAR ON BONUS ISSUING PRACTICES (31 AUGUST 1985)

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 20 Sep 85 p 862

(Caizongzi [6299 4844 1316] 1985, No 77)

[Text] In the last half of this year, wage system reforms are being implemented in an overall way, and consumption funds will rise substantially while the putting of money into circulation will be relatively centralized. The two holidays, Mid-Autumn Festival and National Day, occur in September and October. The leading comrades of the State Council have indicated that to prevent the indiscriminate issuing of bonuses and subsidies and the indiscriminate issue of moon cakes, non-staple foodstuffs and other goods on the pretext of the holidays, as in the second half of last year, all units are required to pay attention to this and take precautionary measures beforehand. This will help effectively control excessive growth of consumption funds and will firmly guarantee stability of the market. Now, in accordance with the directions of the leading comrades of the Central Committee, the following notice is issued:

1. All regions, departments and units must issue bonuses, allowances and subsidies in accordance with the policies and systems stipulated by the state. No administrative organ, enterprise or institutional unit can, on the pretext of upcoming holidays or other excuses, give employees excessive bonuses, allowances or subsidies. Neither are they allowed to issue goods to employees for free or at reduced prices, subsidized by public funds. Much less are they allowed to use public funds to entertain guests or send gifts. They must firmly prevent the private use of welfare funds by concocting all sorts of pretenses and the use of improper measures.
2. Except for that which is approved by the State Council, and issued within prescribed unified standards and scopes, no administrative organ, institution or enterprise unit is permitted to use public funds to manufacture clothing or to supply individual employees with clothing allowances. No locality or department has the right to make decisions on clothing matters by themselves.
3. Violations of the above stipulations should be punished as violations of financial and economic discipline and, in accordance with the seriousness of the case, the directly responsible person should be subject to economic sanctions or disciplinary punishment. At the same time, the responsibilities of the relevant leaders should be followed up and affixed.

4. The leading cadres at various levels should set an example and take the lead in this. It is requested that financial, audit and labor personnel departments at all levels strengthen supervision and inspection, and on discovering problems, handle them in a timely way. It is requested that banks at all levels be stringent in cash management and ensure strict checks, and if there is any improper expenditure, to firmly refuse payment.

It is requested that this circular be transmitted to all your subordinate organs for strict implementation.

/9716

CSO: 4005/488

MOF CIRCULAR ON STATE ENTERPRISE PROFITS (3 JUNE 1985)

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 20 Sep 85 pp 863-864

(CaiGongzi [6299 1562 1316] 1985 No 92)

[Text] Recently, leading comrades of the State Council have directed that for the purpose of controlling blind growth of consumption funds and preventing funds for production purposes from being used on consumption it is necessary to conscientiously determine ratios for various categories of funds in after-tax retained profits of enterprises. To implement this important directive and enforce the State Council's Document No 55 (1984) relating to the "determination, by the departments in charge of the enterprises jointly with the financial departments of the ratios for using the various categories of funds in the after-tax retained profits of enterprises in accordance with the principle that a large proportion be used on production and a small proportion on the collective welfare benefits and awards for the staff members and workers," and to enforce State Council Document No 67 (1984) (State Council Document Guofa [0948 4099] No 67, 1984, carried in this Bulletin No. 10 (1984) relating to the regulations on "separately forming production development funds, new products trial production funds, reserve funds, staff welfare funds, and staff award funds in accordance with the ratios determined by the departments in charge," the following regulations are formulated relating to the problem of the determination of the ratio for the five categories of funds in after tax retained profits of state-run enterprises and stepping up control of the five categories of funds. It is requested that they be vigorously enforced.

1. Conscientiously determine the ratios for the five categories of funds. In regard to state-run enterprises carrying out the method of substituting taxes for profits, departments in charge of enterprises shall, jointly with the financial departments and in accordance with the regulations of State Council Documents Nos. 55 and 67 (1984) and the program on the 2d phase of substituting taxes for profits approved by the financial departments, conscientiously determine ratios for production development funds, new product trial production funds, reserve funds, staff welfare funds and staff award funds in after-tax retained profits of enterprises. As for those enterprises sanctioned by the State Council, the State Economic Commission, and the Ministry of Finance submit profits on a progressively increased and contractual basis and those enterprises temporarily not enforcing the substitution of tax for profit

scheme, the ratios for their production development funds, new products trial production funds, reserve funds, staff welfare funds and staff award funds shall likewise be determined and determination of the concrete ratios shall be made by the departments in charge of the enterprises jointly with the financial departments according to the actual conditions of the enterprises' profit retention and case by case. All state-run enterprises shall strictly enforce the ratios determined by upper level organs and shall not readjust them by themselves.

2. Manage well and use well the five categories of funds. All state-run enterprises shall separately manage and separately use the production development funds, new products trial production funds, reserve funds, staff welfare funds and staff award funds. The first three categories of funds are those for use in developing production and may be used in a unified manner for developing production and promoting technological progress, but not be used for staff welfare expenses or the granting of awards. Bonuses by enterprises shall be granted from staff award funds drawn aside according to prescribed ratios and staff welfare funds shall not be used to grant bonuses or make awards in kind.

3. Realistically strengthen the supervision and inspection of the conditions of the drawing and use of the five categories of funds. Departments in charge of enterprises, and the State Economic Commission and financial, auditing, labor and banking departments shall, in accordance with their respective duties and responsibilities, carry out supervision and inspection of conditions of the drawing and use of the five categories of funds in after-tax retained profits of enterprises. In particular, redouble efforts in the management and supervision of whether the sources of the funds used by the enterprises in granting bonuses are proper or not. If cases are found where production development funds, new products trial production funds, reserve funds and staff welfare funds are used for granting of bonuses and awards in kind, they shall all be treated as violations of the state's financial and economic disciplinary codes. In such cases, the enterprises concerned will be required to return the exact amounts of the funds improperly used and disciplinary action shall be taken against the relevant leaders and directly responsible persons of the enterprises in accordance with the seriousness of offense.

The above regulations shall be effective as of May, 1985. If past regulations contain contradictions to this circular, the regulations in this circular shall in all cases prevail.

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CSO: 4005/488

MOF SUPPLEMENTARY REGULATIONS ON STATE ENTERPRISE PROFITS (19 JULY 1985)

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 20 Sep 85 pp 864-865

(Caigongzi 1985 No 235)

[Text] After the Ministry of Finance and the State Economic Commission issued circular Caigongzi (1985) No 92 "On the Determination of the Ratio for the Five Categories of Funds in the After-Tax Retained Profits of State-Run Enterprises" (hereinafter "the circular"), the reflections of certain regions and departments were that certain points in the document were not sufficiently clear and requests were made that supplementary explanations be given to facilitate implementation. Hence we have made the following supplementary regulations to "the circular":

1. Article 1 of "the circular" states: "Departments in charge of enterprises shall join with the financial departments to...vigorously determine the ratio for production development funds, new products trial production funds, reserve funds, staff welfare funds and staff award funds in after-tax retained profits of enterprises." This means that within the scope of the ratio for gross retained profits and the ratio of award funds out of gross retained profits determined by the Ministry of Finance for provinces, autonomous regions, directly subordinate municipalities, cities and towns with individually listed strategies and subordinate enterprises of State Council ministries, the departments in charge of the enterprises shall, together with financial departments of the same level, vigorously determine concrete ratios for the five categories of funds in their subordinate enterprises.

2. Article 1 of "the circular" states: "It is necessary to earnestly determine ratios for the five categories of funds." This does not mean that all the enterprises are required to redetermine ratios for the various categories of funds. If, in determining the second stage of substituting taxes for profits scheme or in deciding on the method of submitting profits on a progressively increased and contractual basis, the financial departments, together with the departments in charge, have already determined for enterprise the ratios for the five categories of funds and the determination conforms with the provisions in Article 1 mentioned above, then it shall not be necessary to redetermine the ratios for the five categories of funds; if the financial departments and the departments in charge have determined for the enterprise only the ratio for the award fund, then the ratio for the award fund need not be redetermined, while the ratios for the other four funds shall have to be determined in

supplement; and if they have not determined for the enterprises the ratios of the five categories of funds, then the ratios of the five categories of funds in the after-tax retained profits of state-run enterprises shall be determined according to the principle stipulated in Article 1 of these regulations and Article 1 of "the circular."

3. State-run enterprises mentioned in "the circular" and these supplementary regulations include industrial, communications, commercial and other state-run enterprises.

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CSO: 4005/488

REGULATIONS ON BANK AUDITING (5 JULY 1985)

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 20 Sep 85 pp 865-867

[Text]

- Art. 1 In accordance with the decision of the State Council on the People's Bank of China specially exercising Central Bank functions and performing the duties and responsibilities of auditing the business and work of financial organs, these regulations have been specially formulated:
- Art. 2 To ensure the normal progress of financial activities and promote economic development, People's Banks at various levels shall audit business activities of the various levels of industrial and commercial banks, agricultural banks, Bank of China, construction banks, insurance companies, international trust and investment companies, and other financial organs.
- Art. 3 The People's Bank shall emphasize auditing of the following phases of business activities of financial organs:
- 1) Status of implementation of the State's economic and financial guidelines and policies;
 - 2) Status of the execution of various laws, ordinances, and regulations of the State and various regulations of the Central Bank;
 - 3) Status of the implementation of credit and loan plans, cash plans, foreign exchange plans, and financial plans;
 - 4) Status of the operation of funds and of the economic results;
 - 5) Other matters which the People's Banks deem necessary to audit.
- Art. 4 The People's Bank shall carry out at fixed or indefinite intervals overall auditing and special auditing of financial organs.
- Art. 5 For the purpose of exercising auditing functions, People's Banks at various levels shall form auditing organs, staffed with auditors at

each levels. These auditors shall perform auditing work under the leadership of bank managers at various levels.

The head office shall form auditing departments, staffed with a number of auditors of departmental or divisional rank;

Branch banks in provinces, autonomous regions and municipalities directly under the central government shall form auditing divisions, staffed with a number of auditors of divisional or sectional rank;

Branch banks in districts, cities, autonomous prefectures and leagues or banners shall form auditing sections, staffed with a number of auditors of sectional ranks;

Sub-branch banks in counties and towns shall form auditing sub-sections, staffed with a number of auditors of sub-section rank;

Branch banks in provinces, autonomous regions and municipalities directly under the central government shall appoint a chief auditor of the bank of the rank of assistant bank manager.

Art. 6 Auditors at various levels of the People's Bank shall be appointed or dismissed in accordance with the cadres' competence in management; auditing certificates of a unified format shall be issued to them by the Head Office.

Art. 7 In performing auditing tasks, auditors of the People's Bank shall have the following powers:

1) To examine materials such as vouchers, account books, and statements of the unit subject to auditing;

2) To inspect the cash, bullion, foreign currency, negotiable securities, and holdings of issuing funds if acting as issuing agent in the vault of the unit subject to auditing; if necessary, the vault may be closed or sealed before inspection;

3) To participate in relevant meetings of the unit subject to auditing and to read and examine relevant documents;

4) To instruct relevant units and personnel to actively cooperate with the auditors in their work; to recommend to the relevant unit to investigate and determine the responsibility of person(s) found to have impeded, rejected, or disrupted auditing work; and

5) To present views on stopping, correcting and dealing with improper business activities of the unit subject to auditing.

Art. 8 In performing an audit, the object and content of the audit shall be defined, an auditing program determined in advance, and responsible personnel designated, all of which shall have been approved by the

relevant leadership. Auditors shall show to the unit subject to auditing a letter of introduction from the office and their auditing certificates.

If necessary, auditing personnel of the unit subject to auditing or of its upper level unit or both may be permitted to participate.

- Art. 9 At the conclusion of each audit, a report shall be prepared. Recommendations for eliminating problems existing in the unit subject to auditing shall be written up in the report. If violation of the State's policies and ordinances has been found and it is necessary to apply economic sanctions such as stopping loans, recalling loans, and freezing deposits, a report shall be made to the authorities concerned for approval. In serious cases requiring the unit audited to stop business, they shall be reported level by level to the head office for approval. At the same time, if disciplinary action against offending units or persons who have seriously breached financial and economic disciplinary codes is necessary, recommendations shall be made to relevant departments through the bank office dispatching the auditors.

In the event the unit subject to auditing objects to the views or measures taken in the audit process, it may appeal to a higher level People's Bank for a ruling.

- Art. 10 Auditors at various levels of the People's Bank shall be practical and realistic, insist on observance of principles, be loyal to their duties, and perform their work according to the law.
- Art. 11 People's Banks at various levels shall praise and reward those units and individuals who have attained notable results in their work and punish those who have leaked State secrets, or abused their authority for private gains, or been derelict in their duty, or committed serious mistakes in their work.
- Art. 12 To facilitate auditing work, business departments of financial organs and People's Banks at various levels shall send to the auditing department of the People's Bank at the corresponding level copies of credit and loan plans, cash plans, foreign exchange plans, financial plans and reports on the status of their execution as well as monthly, quarterly and yearly accounting statements and relevant business regulations and systems.
- Art. 13 Auditing departments at various levels of the People's Bank shall provide business guidance to auditing departments of financial organs at corresponding levels.
- Art. 14 Auditing departments at various levels of the People's Bank shall also carry out auditing of business activities and financial receipts and payments of their own system.
- Art. 15 These provisional regulations shall go into effect from the date of promulgation.

REGULATIONS ON PRICE INSPECTION

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 20 Sep 85 pp 871-873

[Provisional Regulations on the Work of Price Inspection Offices, promulgated on 10 August 1985 by the State Administration of Commodity Prices]

(Jiajianzi [0305 2914 1316] 1985 No 207)

[Text]

- Art. 1. For the purpose of thoroughly implementing the State's guidelines, policies, and regulations on commodity prices; protecting the interests of the state, the producers, the business operators, and the consumers; strengthening the supervision and inspection of commodity prices; and strictly enforcing disciplinary codes on commodity prices, and in accordance with the State Council's "Provisional Regulations on Control of Commodity Prices" (carried in this Bulletin, Issue No 13, 1982) and other relevant regulations, these regulations have been specially formulated.
- Art. 2. Commodity price inspection department of the State Administration of Commodity Prices shall be responsible for organizing and guiding the country's commodity price supervision and inspection work. Price inspection offices at various levels in the localities shall be the price supervision, inspection, administrative, and executive organs which carry out the duties and power of price supervision and inspection and handling violations of price discipline under the leadership of the price control department of the same level.
- Art. 3. The duties and power of price inspection offices shall be as follows: (1) propagating the State's guidelines, policies, and regulations on commodity prices; (2) supervising the thorough implementation of the State's guidelines, policies and regulations on commodity prices; (3) supervising the execution of the power of division of control of commodity prices and the enforcement of the State's regulations on the principles and methods of pricing, prices of industrial and commercial products, communication and transportation fees and charges, standards for material management, fees, and standards for other non-commodity charges; (4) supervising the inspection of violations of the price discipline, and

dealing with them in accordance with relevant regulations; (5) giving guidance to departments in charge of business affairs, enterprises and business units in their price inspection work, and exchanging work experiences; (6) upper-level price inspection offices shall be responsible for guiding the work of lower-level price inspection offices, and shall assist the latter in dealing with, or deal directly with, serious violations of price discipline; (7) taking responsibility for organizing and guiding mass voluntary price inspection work; and (8) cooperating with industrial and commercial administrative and management departments in the guidance and control of prices in trade carried on by individual industrial and commercial households and in urban and country fair trade.

- Art. 4. In respect of departments in charge of business of the same level and enterprise and business units within their sphere of jurisdiction regardless of subordinate relationships, price inspection offices shall have the power to carry out supervision and inspection of commodity prices. Units under inspection shall truthfully supply information and data relative to the price inspection, including commodity price, production cost, circulation expenses, production and marketing volumes, and status of profit or loss.
- Art. 5. Price inspection offices shall supervise and urge relevant departments in charge of business to carry out price inspection in the enterprises and business units subordinate to their respective systems. Departments in charge of business shall handle, in accordance with the "Regulations on Provisional Price Control" and the relevant regulations on sanction of violations of price discipline, all violations of the price discipline by their subordinate enterprises and business units; serious violations shall be reported for reference to the price inspection offices in localities. Fines and confiscated property received in dealing with violations shall be turned over to the price inspection office for unified delivery to the local financial department. Price inspection offices shall have the right to reprocess violations of price discipline handled improperly by departments in charge of business.
- Art. 6. Price inspection offices shall coordinate with industrial and commercial administrative and management departments, and cooperate with each other to keep market prices under control. Violations of price discipline shall be handled by price inspection offices; violations of industrial and commercial administrative management regulations shall be handled by the industrial and commercial administrative management departments; those which cannot be easily determined shall be handled by whichever party makes the inspection, but there shall be no duplicate inspection or handling of the same case.
- Art. 7. Price inspection offices shall, relying on mass organizations of cities, townships, neighborhoods and labor unions, form strong volunteer price supervision and inspection teams composed of

neighborhood household residents and employees, guiding them in developing their work and putting their active role into full play. They shall also adopt other measures and forms to rely on the populace to supervise commodity prices.

- Art. 8. Price inspection offices shall support, cooperate with, and earnestly listen to the views of NPC representatives, members of political consultative committees, and representatives of mass organs in their inspection of commodity prices and shall earnestly handle problems discovered in inspections.
- Art. 9. Price inspection offices shall commend, encourage and reward those units and individuals who have exemplarily observed commodity price policies and discipline, or have informed against violations, or have performed meritoriously in handling cases. In dealing with units and individuals who have violated price discipline, the principle of integrating ideological education with punishment shall be firmly enforced and offenders shall be subjected to economic sanctions according to relevant regulations. In regard to those who have failed to turn in illegal receipts or pay their fines in time, the price inspection offices shall have the power, as provided for in State Council regulations, to notify the banks or credit cooperatives in which they have deposits to make a compulsory transfer from their accounts. If administrative and party disciplinary action must be taken against offenders, the price inspection office shall make recommendations to relevant units. Criminal cases shall be turned over to judiciary organs for prosecution according to law.
- Art. 10. In handling violations of price discipline, the principle of seeking truth from facts shall be firmly insisted on, the facts must be made clear, the evidence must be irrefutable, determination of the nature of the case must be correct, the work must be appropriately handled and the procedures must be complete. If the inspected unit or individual disagrees with the way the case was handled, an appeal to the original handling unit or a higher-level price inspection office shall be permitted and the department accepting and hearing the case shall conscientiously reexamine the case. If the original handling is found free of error, it shall stand firm, but if it is found to have been erroneous, then it shall be duly corrected. Lower-level price inspection offices shall earnestly carry out the decision of upper-level price inspection offices concerning the appeal.
- Art. 11. The handling of violations of price discipline shall follow these procedures: (1) Filing for investigation and prosecution. Where data and information found in inspection and revealed or exposed have established violations of the price discipline, the cases shall be registered and special personnel shall be assigned to take charge. (2) Inspection. Specially assigned personnel shall carry out investigation and reexamination, procure verified materials, and

compile an investigation report thereon. (3) Processing. On the strength of sufficiently procured evidence processing shall be in accordance with the relevant regulations. (4) Winding up of case. Upon completion of processing the case shall be wound up and a complete file shall be set up for it.

Art. 12. Price inspection offices at various levels shall all set up complete, solid systems and regulations, such as post responsibility system, work rules, an inspection system, a statistical report system, a financial system, a security system, an award and punishment system, and a system for processing procedures for violations of price discipline and filing systems; these regulations and systems shall all be strictly enforced.

Art. 13. Price inspection offices shall keep a timely finger on changes in the status of price of major commodities and in the standards of non-commercial fees or charges. They shall also gradually develop enquiry and service work in connection with the price supervision and inspection policy and the examining of processing violations of price discipline.

Art. 14. Employees of the price inspection offices shall strictly enforce policies, observe discipline, rely on the masses, seek truth from facts, firmly insist on principles, be just in law enforcement, refrain from being selfish and from seeking private gains. If price inspection personnel break the law when enforcing it, they shall be sternly dealt with.

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CSO: 4005/488

REGULATIONS ON HANDLING PRICE DISCIPLINE VIOLATIONS

Beijing STATE COUNCIL BULLETIN No 25, 20 Sep 85 pp 873-876

[Provisional Regulations on the Handling of Violations of Price Discipline, promulgated by the State Administration of Commodity Prices on 10 August 1985]

[Jiajianzi [0305 2914 1316] (1985) No 208]

[Text] The handling of violations of price discipline is an important policy issue, and must be carried out strictly, diligently, and faithfully. To gradually systematize this work, the following regulations have been drawn up on the basis of the State Council's "Provisional Regulations on Price Control" (published in Issue No 13, 1982 of this Bulletin) and other related regulations.

Article 1. Guiding principles for dealing with violations of price discipline

- (1) Uphold the principle of seeking truth from facts, and start with objective facts in all cases;
- (2) Use the principles, policies and regulations of the party and state on prices as yardsticks. On the premise of protecting state interests, consideration must be given to the legal rights and interests of producers, those in business, and consumers;
- (3) Hold to the principle of treating cases strictly, faithfully and with discretion;
- (4) Adhere to the principle of combining ideological education with punishment;
- (5) Subscribe to the principle of democratic centralism. The handling of cases must be done collectively.

Article 2. Basic requirements

When handling violations of price discipline, we must:

- (1) The facts must be clear. Precise investigations must be made into the time, place, circumstances, and results of a violation; who was responsible,

and the subjective reasons for the violation. We must not be sloppy or careless.

(2) There must be certain proof of violations. Without proof or sufficient evidence, a case cannot be made.

(3) The nature of offenses must be determined correctly. The nature of violations must be determined according to standards set forth in state policies and regulations. If the policies are not sufficiently clear, cases should not be determined indiscriminately.

(4) Processing must be appropriate. On the basis of clear facts, correct proof, and accurate analysis of the nature of each case, processing must suit the nature of the crime. We must guard against excessively strict or excessively lenient punishment.

(5) Formalities must be complete. Cases must be handled strictly according to the order and procedures set forth in the regulations. All documentation required should be supplied.

Article 3. Scope

(1) Price violations by departments, enterprises, units or individuals and discovered in price checks;

(2) Price violations for which investigation is delegated by higher authorities or requested by lower authorities;

(3) Cases investigated by various price examination departments requesting coordination;

(4) Price violations discovered by price inspection volunteers, or brought forth by members of the public in letters or visits;

(5) Price violations discovered by relevant departments, enterprises or units in the course of examination;

(6) Cases which are appealed or which need re-examination.

Article 4. Limitations of rights in handling price violations

Price examination departments from the city and county level upward have the right to handle price violations according to relevant state policies. Serious violations should be dealt with by price departments at the same level, with cases prepared by the people's government at that level and the higher level price examination department. Cases which involve leading organs or which are complex and difficult to handle may be submitted to higher level price examination departments for processing. Limitations on rights of units subordinate to cities and counties should be defined by cities and counties.

Higher level price examination departments have the right to re-examine cases mishandled by lower level price examination departments.

Article 5. Process of handling price violations

(1) Establishing the case. All cases which can be handled under the above conditions must be established by supplying the relevant data and appointing certain personnel to be in charge of the case.

(2) Investigation. All violations for which a case has been established should be thoroughly investigated by the persons in charge of the case, the necessary proof sought for the key facts and circumstances of the case, and an investigative report written.

(3) Handling the case. The proposal of the persons in charge of the case should be discussed collectively and a written proposal made on how to handle the case. Once this has been authorized, a written decision will be published.

(4) Re-examination. Where the verdict is appealed, the department which first handled the case or the higher level price examination department must promptly re-examine the case, concentrating on investigating the key facts and the evidence on which the case was made. Cases mishandled or handled inappropriately must be corrected; where no mistake was made, the verdict must be upheld.

(5) Closing the case. When a case has been completed, it must be closed.

Article 6. Case documentation system

(1) Price examination registration system. Price violations discovered by price examinations should be registered as original proof of the violation.

(2) Data investigation and documentation system. The person in charge of the case should make a record of his conversations with the person(s) investigated. The record should be written in the first person, and should be faithful; a pen should be used throughout, the characters written clearly, and punctuation and words used correctly. This record should be signed by both investigator and the person(s) investigated. The statement written by the person investigated should be signed by himself and stamped by his unit. Records of the facts and figures of violations should definitely be concrete and correct.

All correspondence concerning the investigation should be signed by the price examination departments at or above city or county level.

(3) System for reports on handling of cases. The person in charge of the case should submit reports on how the case was handled from beginning to end of the investigation, including the basic circumstances of the violation, i.e., the time, place, situation, methods, nature, consequences, the amount of money illegally earned, the attitude of the defendant, the evidence, and the opinion of how to best handle the case.

(4) System for notices informing handling of cases. Price examination departments at all levels should inform the units or individuals concerned of their handling of any price violation case. This notification should include the facts of the case, the main circumstances, the nature, the evidence, the punishment, and so on.

Where it is necessary to propose that the relevant departments hand out party or state punishment to the defendants, this proposal should be annexed to the notification.

(5) System for documentation concerning appeals against cases. In case of appeal, the price examination department should write a re-examination report, the results of which should be told to the appellant, and sent also to the higher authorities for examination.

(6) System for closing cases. All cases which have been fully dealt with should be put on record. The record should include primarily a record of the case, including materials on how the case was set up, investigative data (including principal evidence), examination report, authorization materials, decisions on how to handle the case, closing report, appeal materials, re-examination reports, and so on.

(7) Price departments at provincial, autonomous regional, or municipal level may draw up their own supplementary regulations based on these regulations.

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REGULATIONS ON CONFIRMING ECONOMIC CONTRACTS (13 AUGUST 1985)

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 20 Sep 85 pp 876-878

(Gongshang [1562 0792] 1985 No 137)

[Text] To do a good job of the confirmation of economic contracts and thus facilitate the implementation of the laws and regulations related to economic contracts and protect the legitimate rights and interests of the parties concerned, the following provisional regulations are specially formulated:

1. Confirmation of economic contracts is a system of procedures to legally prove the validity and legitimacy of an economic contract by the economic contract administration department upon the application of both parties to the contract.
2. Except as otherwise stipulated by the state, the principle of voluntary participation is implemented in confirming economic contracts.
3. The administrative bureaus for industry and commerce are the organs to confirm economic contracts. Generally, a contract is confirmed by the administrative bureau for industry and commerce in the place where the contract is signed or executed.
4. In confirming an economic contract, the following contents of the contract should be examined in accordance with the law, administrative regulations and policies of the state:
 - 1) the capacity of making contracts in the parties to the economic contract, the capacity concerning the power and right to sign contracts and the capacity related to behavior;
 - 2) the truth of the intention to sign the contract of the parties to the contract;
 - 3) conformation of the contents of the contract to the requirements of the state law, policies and plans; and
 - 4) the completeness of the contents of the major terms of the contract, the correctness of the wording, the conformation of the signing of the contract to the legally stipulated procedures.

5. The scope of confirmation of economic contracts should include the contracts between legal persons, between legal persons and individual traders, peasant households, and specialized households, between individual traders, between specialized households, and between individual traders and specialized households concerning purchases, sales, responsibility for construction, processing, transportation of goods, supply of electricity, preservation and storage of goods, renting of property, provision of loans, insurance of property, scientific and technological cooperation, joint ventures, and so on.

6. The following documents should be submitted when an application for confirmation is made:

- 1) copies and duplicates of the economic contract;
- 2) business licenses or duplicates thereof;
- 3) certificates of qualification of the representative of the legal persons or the assigned agents of the parties to the economic contract; and
- 4) other relevant documents of certification.

7. When in handling the confirmation of an economic contract an administrative bureau for industry and commerce needs the cooperation of its counterpart in another area in making an investigation, it should put forth clear items and requirements for the investigation. The administrative bureau for industry and commerce entrusted to make the investigation should carry out the investigation conscientiously and give a reply promptly.

8. The staff doing the confirmation work should conscientiously examine the copies of the contract and the relevant documents of certification provided by the parties concerned to see whether they are true and legal. If they are found to meet the standards of the confirmation in the examination, the staff should give the confirmation. The confirmation staff should sign the copies of the contract and affix the economic contract confirmation seal of the administrative bureau for industry and commerce.

If the documents of certification for the contract provided by the parties concerned are inadequate, the staff should inform the parties and ask them to give necessary additional documents.

In case the economic contract is untrue or illegal, the staff should explain to the parties concerned the reasons for not giving the confirmation and indicate it clearly on the contract.

9. When an administrative bureau for industry and commerce finds that it has been wrong in giving its confirmation on an economic contract, it should revoke the confirmation.

10. The bureau that handles the confirmation should charge a confirmation fee on the parties concerned. The standards for the amount of the charge should be decided in accordance with the stipulation of the (1984) Industrial and Commercial Document No 1 of the State Administration for Industry and Commerce and the Ministry of Finance on the standards for the amounts of economic contract confirmation fees.

STATE COUNCIL APPOINTMENTS AND REMOVALS

Beijing STATE COUNCIL BULLETIN in Chinese No 25, 20 Sep 85 pp 879-880

12 July 1985

[Text] Appoint Tong Zengyin [4547 6362 6892] Vice President of the People's Bank of China.

Appoint Ling Yuxun [0407 3022 8113] Director of the State Supplies Bureau.

Appoint Yan Hongmo [0917 1347 6206] Director of the State Oceanography Bureau.

Appoint Wang Deyan [3769 1795 5888] President of the Bank of China.

Appoint Zhang Xiao [1728 5135] (Female) President of the Industrial and Commercial Bank of China.

Appoint Ma Yongwei [7456 3057 0251] President of the Agricultural Bank of China.

Remove Li Fei [2621 7378] and Zhu Tianshun [2612 3944 7311] from the posts of Vice Presidents of the People's Bank of China.

Remove Li Kaixin [2621 7030 0207] from the post of Director of the State Supplies Bureau.

Remove Luo Yuru [5012 6877 1172] from the post of the State Oceanography Bureau.

Remove Chen Li [7115 4539] from the post of President of the Industrial and Commercial Bank of China.

Remove Han Lei [7281 7191] from the post of President of the Agricultural Bank of China.

26 July 1985

Appoint Liu Yizhong [0491 0001 0022] Vice Minister in charge of the State Planning Commission.

Remove Peng Min [1756 2404] from the post of Vice Minister in charge of the State Planning Commission.

Remove He Kang [0149 1660] and Zhao Dongwan [6392 2639 1354] from their concurrent posts as Vice Minister in charge of the State Planning Commission.

Remove Zheng Xiwen [6774 1585 2429] and Li Shisheng [2621 4258 3932] from their posts as deputy ministers of justice.

5 August 1985

Remove Yang Jun [2799 3182] from the post of Vice Minister in charge of the State Scientific and Technological Commission.

Remove Yang Keng [2799 6972] from the post of Vice Minister of Machine-Building Industry.

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